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A. :Report Title: Transatlantic Armament Cooperation

B. DATE Report Downloaded From the Internet _18 Mar 98

C. Report's Point of Contact: (Name, Organization, Address, Office Symbol, & Ph #): The Under Secretary of Defense for Acquisition and Technology

D. Currently Applicable Classification Level: Unclassified

E The foregoing information was compiled and provided by:
DTIC-OCA, Initials:___PM_____ **Preparation Date:**18 Mar 98

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DTIC QUALITY INSPECTED 4

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"Transatlantic Armament Cooperation"
Address of
The Under Secretary of Defense for Acquisition and Technology
Dr. Paul G. Kaminski
to
U.S.-CREST Conference
Paris, France

April 17, 1996

I believe that national security — ours and that of our friends and allies — now, and in the future, will increasingly rely on bi- and multi-lateral armaments cooperation. The underpinning for this will be a shift towards giving greater importance to the economic and industrial considerations of material acquisition programs in the future.

This belief is the basis for the renaissance in armaments cooperation occurring on both sides of the Atlantic.

INTERNATIONAL SECURITY ENVIRONMENT

Let me say a few words about our collective national security environment and about our objectives in seeking deeper relationships with friends and allies.

In the post-Cold War world, we no longer face a single galvanizing threat such as the former Soviet Union. Instead, there is increased likelihood of our forces being committed to limited regional military actions — coalition operations — in which allies are important partners. In this environment, the US-European security relationship remains vitally important to the welfare of people on both sides of the Atlantic.

This new international security environment is a more uncertain world — it gives us some pause in trying to plan intelligently. In response to the reduced overall threat, the United States has cut the end strength of its forces by about a third from 1985 levels. But at the same time, decreased stability has caused deployments of US forces to go up by a third.

In this adjustment phase, we have brought the total defense budget down while maintaining high levels of readiness needed to support increased operational tempos.

DEFENSE BUDGET TRENDS

We have done this by reducing our procurement at a pace that is twice the rate of the overall downturn in total obligation authority. This response is consistent with historical norms. Procurement has always been the most volatile component of the budget in a draw down because it is not necessary to purchase new equipment for a

smaller force structure.

For the past several years, DoD has taken advantage of the Cold War equipment assets and deferred its modernization plans. That circumstance has allowed DoD to ensure full funding for training, maintenance, quality of life and other components of near-term readiness.

The budget authority request for procurement in the FY 1997 President's Budget is about \$40 billion. Starting in FY 1998, the plan is to reverse the downward trend in procurement spending and embark on a program of force modernization. This procurement "ramp-up" will be critical to the readiness of US forces in the next century.

ARMAMENTS COOPERATION

The convergence of two trends—increasing likelihood of committing forces to coalition operations and reduced defense budgets—make the case for greater armaments cooperation with friends and allies.

Deploying forces in coalition operations with the forces of other countries places a high premium on interoperability—that is, ensuring that US and allied systems are compatible and can be sustained through a common logistics support structure.

The heightened emphasis on coalition operations, to include operations other than war, is especially important because it comes during a period of declining defense budgets not only in the United States, but on the other side of the Atlantic as well.

In this environment, it is clear to me that we will have to leverage the technology and industrial base of all our nations to modernize the equipment of our defense forces at an affordable cost and in the end—obtain "best value for the money." The United States and its allies are being challenged to do more with fewer resources, and cooperation provides the needed leverage.

We need to avoid the inclination to duplicate each other's capabilities. Instead, we need to think in terms of building on developed capability where possible. To do this, we need to harmonize requirements from the start and increase the incentives for teaming of our industry—including removing the barriers to international teaming and barriers to commercial industry as well. We need to start doing this much earlier in the initial stages for our new programs.

ACQUISITION REFORM

The DOD has taken a number of unilateral actions to reform our acquisition system and better leverage the commercial industrial base. These actions have

increased the opportunity for international armaments cooperation. I would like to cite two examples of military specification reform in particular.

The first is the adoption of the ISO-9000 series of standards as an alternative for MIL-Q-9858. This change makes it easier for international businesses to compete on our contracts — we now accept the use of an international quality standard instead of demanding the use of a US military unique standard.

The second example is the adoption of the ISO 10012-1 calibration standard as an alternative for MIL-STD-45662A. Again, this change makes it easier for foreign based businesses to compete on our contracts.

ARMAMENTS COOPERATION RENNAISSANCE

In addition to changes in our policies requiring the use of unique military specifications, we have taken a look at several of our upcoming major system acquisitions to insure the selection approach is consistent with our commitment to maintain an open market for all suppliers.

Our objective is to look at every opportunity to consider fully and fairly the systems of our friends and allies that address similar US need. Our motivation here is really selfish — we want “best value for the dollar” in a environment of dwindling resources.

On February 24 of last year, I signed a policy memorandum to the Secretaries of the Military Departments and the Service Acquisition Executives to promote consistency and fairness in dealing with our friends and allies. To promote these goals, I implemented some changes to our process.

First, the Services are not permitted to use “other than competitive procedures” or exclude sources for “mobilization base reasons” on contracts over \$50 million unless I have given prior approval.

Second, the Service Acquisition Executives will implement an approval process for assuring that determinations for contracts less than \$50 million awarded to develop or maintain the industrial mobilization base are made only in exceptional circumstances when there is a clearly demonstrated need for such a restriction.

The Department has been placing renewed emphasis on international armaments cooperation, across a broad spectrum of activities — one that includes cooperative R&D programs, comparative test programs, and new program management approaches that seek to involve our allies at an early stage in the formation of international armaments partnerships.

NATO Cooperative R&D Program

One of our primary mechanisms for promoting transatlantic armaments cooperation has been through the NATO Cooperative R&D Program. This program has planted important seeds for international cooperation, many of which are thriving today.

The NATO Cooperative R&D program provides the US share of funding for initiating international cooperative R&D projects. Typically, US funds are matched by the contributions of allied partners. The program is intended to facilitate international cooperation to reduce cost, increase interoperability, and provide access to the best technology – where ever it is available.

Fostering international armaments cooperation is a complex business. As such, we have taken steps to improve the program. When this program was first initiated, the emphasis was on common development of major defense systems. As the world defense environment has changed, adjustments have been made to the program.

With smaller defense budgets in the US and elsewhere, the program now emphasizes cooperative development of common subsystems and technologies across common interfaces for incorporation in US and allied systems. This has proved to be a more practical approach towards cooperative development.

The program has been adjusted in the FY 1997 budget request to place greater emphasis on enhancing coalition operations. An example of such a project is an allied Combat Identification system to reduce danger of friendly fire incidents.

Another significant change in this program is the establishment of funding lines in the budgets of the military Services to support post transition costs.

Foreign Comparative Test Program

The foreign comparative test program is another important mechanism for promoting armaments cooperation. For example, the U.S. began discussions recently with GEC-Marconi to acquire the Digital Flight Control System for the F-14 aircraft.

This system successfully completed the Foreign Comparative Test (FCT) program, having entered the program in 1992. We believe this system will not only enhance the safety of pilots, but in the process allow the US to benefit from R&D investment in the UK as well as demonstrate our commitment to international cooperation.

Another excellent example of a completed Foreign Comparative Test (FCT) program is the "Eagle Vision" program. In response to a need for a more responsive source for battlefield imagery, Headquarters USAFE and Electronic Systems Command submitted a proposal in 1992 for an FCT program to bring together all the functions required to directly acquire and build processed battlefield imagery in a single deployable package.

This FCT teamed U.S. and French companies and the SPOT Image Corporation, taking advantage of commercial-off-the-shelf hardware and software. After testing from July 1994 through September 1995, the result is a deployable ground station and processing system to provide theater-responsive imagery support, using French SPOT satellites as the imaging platforms. This FCT validated and refined the operational concept of leveraging commercial satellite imaging technology in support of CINC requirements, and has set the stage for future programs to follow a similar path.

In this FCT program we see great lessons in transatlantic teaming of industry and government, and in using innovative acquisition approaches to drive down costs. Eagle Vision demonstrated how taking advantage of commercial technologies significantly reduces the time needed to field new applications. At the present time, Eagle Vision is enjoying successful use in IFOR operations in Bosnia.

This capability is leveraging technology from direct broadcast TV satellites. Time is leased from the commercial communications satellites. The satellite links can pass up to 24 megabits per second. The ground terminals can pass three megabits per second of information through a control data link. The only equipment the user requires is a 20" antenna dish and a set of decryption gear. This promises to pave the way for our Global Broadcast System (GBS). We are still developing the concept of operations within a theater.

MOU Process Reform

We are removing the bureaucratic barriers within the Department that were associated with the processing and review of international agreements for cooperative research, development, production, logistics support, and loans of defense equipment.

We are now enjoying the benefits of a new, streamlined process for processing these agreements which was put in place in late 1994. The new process achieves the National Performance Review objectives of cutting red tape and cutting back to basics.

The new streamlining initiative features cutting down the required paperwork, shortening response times, streamlining decision-making and conflict resolution, generating agreement text with a computer program, and using electronic mail instead of paper to transmit required information.

Under the old system, decision-making was based on risk avoidance rather than program efficacy. Now, concurrence is assumed if an office does not respond within 21 days, and major disagreements are escalated to higher levels of the Department automatically according to set time frames.

The new process has shortened average review time for a typical Memorandum of Understanding from 130 days to 30 days. It is this kind of real change that is removing impediments to armaments cooperation and that will pay big dividends in fostering new cooperative programs.

Armaments Cooperation Steering Committee

To help promote new cooperative arrangements, I directed the Armaments Cooperation Steering Committee (ACSC) to implement a more disciplined process for identifying new opportunities for international armaments cooperation. The ACSC, established in 1993, is the senior armaments cooperation policy and oversight body within the Department of Defense.

Over the past six months, the ACSC has launched two significant initiatives. The first initiative deals with the formation of "International Cooperative Opportunity Groups (ICOGs)." Four ICOGs have been chartered to identify and recommend specific new opportunities for armaments cooperation. The goal is to plan—in advance—to create opportunities earlier in the acquisition process.

The second ACSC initiative is aimed at developing a new plan to "modernize" the Defense Cooperation Armaments (DCA) function within the Office of Defense Cooperation (ODC) at US embassies around the world.

International Cooperative Opportunities Groups

The ICOG initiative was formally launched at the October 1995 meeting of the Armaments Cooperation Steering Committee. As I said earlier, four ICOGs were established. Three of the ICOGS are chartered to identify individual programs with high potential for international cooperation in the following areas:

- Major Systems (in their early phases)
- Science & Technology Programs
- Advanced Concept Technology Demonstrations (ACTDs)

The fourth ICOG is addressing the specific problem of improving the technology disclosure process.

The first three ICOGs are seeking to identify programs as candidates for potential cooperation based on the factors that create a successful cooperative program. These factors include:

- the degree of requirements commonality;
- the extent to which the technologies, strategies and budgets of the potential partners are complementary ;
- the potential for international industrial teaming; and
- the perceived benefits and risks associated with execution of an international program.

Each ICOG has compiled an initial list of programs nominated by the military Services and by the ODCs at our embassies around the world. These lists are being reviewed and narrowed to identify those programs with maximum cooperative potential. We have developed a list of candidate programs which we will evaluate and show with our allies over time. I would encourage our allies to develop similar lists.

Strengthening ODC Support

Each of the ICOGs are benefiting directly from the input of the ODC personnel assigned to our embassies around the world. In performing their Defense Cooperation in Armaments – or DCA – mission, the ODCs provide the ICOGs with a direct linkage to the ministries of defense in their host countries and to the Commander-in-Chief (CINC) staffs in both the European and Pacific Commands (EUCOM and PACOM).

Our ODCs are attuned to the requirements of the CINCs and the realities of the defense industrial base in their area of responsibility. We currently have 52 personnel assigned worldwide, split between the European and Pacific theaters. With 42 of these 52 billets in Europe, we have a valuable resource to tap in furthering transatlantic armaments cooperation.

In light of the changing national security landscape, both in government and industry, we are evaluating how to more effectively use our DCA resources and better align our personnel to take advantage of emerging opportunities in the post-cold war environment.

DSB Task Force on International Cooperation

As we realign our DCA personnel to take international cooperation into the 21st century, we need to extend our time horizon 5, 10, or 20 years ahead, and envision the international environment of the future. To address this challenge, the Defense Science Board is examining the issue of armaments cooperation.

The DSB task force on international armaments cooperation began work in October 1995 and is specifically chartered to identify:

- a model for 21st century armaments cooperation that preserves effective competition;
- methods for preserving effective two-way access to critical military technologies;
- methods to assure maximum leveraging of the commercial industrial base; and
- approaches for maximizing the involvement of the CINCs in international cooperative efforts.

This forward thinking is an essential component of ensuring future success in international cooperation.

The task force's efforts are still in progress, but the deliberation is focusing on a model that promotes international cooperation and maintains competition throughout the life of a program. The task force recommends that the U.S. should pursue international cooperation for specific political or mutual security ends, or to meet a specific need of coalition warfare. In accomplishing these goals, we should realize net economic and industrial enhancements and extend scarce defense resources. Cooperation on common mission problems is central to this new model, and should focus on such coalition security needs as

- extended air defense,
- coordinated logistics,
- combat ID, and
- interoperable communications.

The task force believes, and I agree, that greater involvement by transatlantic industry teams is crucial to the model for 21st century cooperation.

Chart On

By balancing geopolitical, military and economic/industrial factors, we will be able to obtain greater coalition security. In addition, we're learning that we no longer have the means to go it alone on all programs. To make programs like MEADS, MIDS and the Joint Strike Fighter viable, we will need a seamless, interlocking "zipper" among geopolitical, military and economic/industrial bases for these systems. Co-development or co-production must not always be sought at the prime vendor level, but in many cases, can exist at the common subsystem level.

Chart Off

STATUS OF KEY PROGRAMS

I would like to turn now to review the progress of some key, on-going transatlantic armaments programs.

The US is now working with its allies in Europe on several key cooperative programs, including the Medium Extended Air Defense System (MEADS), the Multifunction Information Distribution System (MIDS) program, and the NATO Allied Ground Surveillance (AGS) program. I will briefly summarize the status of these three important programs.

Medium Extended Air Defense System (MEADS)

The theater missile defense area offers an excellent example of the renaissance in transatlantic armaments cooperation. The Medium Extended Air Defense System, or "MEADS" program, plans to team U.S., French, German, and Italian defense ministries and contractors in a cooperative effort to develop a modern, deployable extended air defense system.

The program has progressed well since the signing of a Statement of Intent in February 1995. Over the past year, the US, Germany, France and Italy have:

- established an interim management office in Germany;
- reached agreement on an international request for proposals and requirements document; and the US has
- "down selected" two US contractors, who will team with European industrial partners.

In addition, the US has conducted a comprehensive BMD review which cut \$2 billion (about 15 percent) of the total program funding. Nevertheless, MEADS survived with the addition of \$85 million to its budget in the project definition-validation phase.

While much groundwork has been laid thus far, the French have recently been in the midst of a top-down review of the country's military programs under the auspices of its Strategic Committee. France has announced major restructuring of its defense programs as a result of the Committee's recommendations. While France is unable to start a new program prior to completing a strategic review, we are hopeful they will soon announce that they are ready to proceed with the program. Meanwhile, the US, Germany and Italy are in serious discussions to begin the program very soon with a path for France to join later if they cannot join now. Regardless, this is a good example of the "zipper model" that I mentioned earlier. Collaboration was started early on

MEADS. The requirements were rationalized. And representatives from all levels interacted all along the way.

Multifunction Information Distribution System (MIDS)

A good example of a NATO R&D program coming to fruition is the Multifunction Information Distribution System (MIDS).

MIDS is a multinational cooperative program established to develop a highly jam-resistant, secure digital information distribution system, providing integrated communications, navigation, and identification for use in a tactical combat environment, but within the weight and volume constraints required for tactical aircraft.

The Acquisition Decision Memorandum of 17 Dec 93 authorized U.S. participation in this cooperative program with France, Germany, Italy, and Spain. MIDS was funded through the NATO R&D Program, and is currently in the EMD phase under a five-nation consortium contract.

MIDS is the first program to achieve formal acquisition status with initial funding from the NATO R&D program and is an excellent example of fostering RSI (Rationalization, Standardization, and Interoperability) with our allies through cooperation. It appears there will be competition in production with a European and an American line running. The US will buy from both lines based on the price and quality of each. The details will be worked out in a supplement to the MOU.

Allied Ground Surveillance (AGS) System

In March of 1993, the CNAD began exploring possibilities for a common Alliance approach to an effective ground surveillance capability. By the end of 1995, an initial project structure, consisting of a Steering Committee and an Embryonic Program Office, had been established.

We looked at three ownership options over the past year:

- Interoperable national systems;
- A common Alliance ground station architecture; and
- A NATO-owned, jointly operated system.

The CNAD has approved a variation of this last option, choosing "a minimum essential NATO-owned and operated core capability supplemented by interoperable national assets."

Securing an agreement on a common approach to developing such a system of systems has pushed us to new thinking on how international cooperation can be achieved. We are continuing to work closely with our allies to achieve consensus on program schedule and the best system solution to the requirement.

At the recent CNAD, we agreed to proceed with a focus on the system of systems requirement and its urgency while preserving a path to plan for system selection in the Fall of 1997.

SUMMARY

Transatlantic armaments cooperation is experiencing a "renaissance" in the post-Cold War international security environment. This "rebirth" of interest stems from the recognition—on both sides of the Atlantic—that cooperation is required to secure assured and affordable access to the technologies needed for future military systems.

There is mutual recognition that we must reach out and exploit technological advances being made both at home and abroad. Industry-to-industry partnerships will play a key role, as they form the underpinning for international cooperation. The US Department of Defense is taking steps to create an environment where these partnerships can flourish.

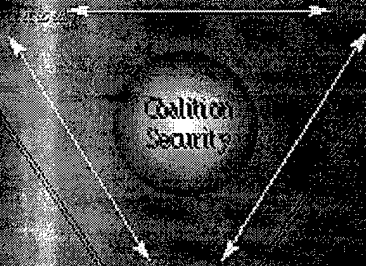
This includes reforming our acquisition system, leveraging an integrated defense and commercial industrial base, and removing barriers to international and commercial participation. We do not intend to duplicate—instead we will attempt to build on the developments of others.

Armaments cooperation—true cooperation—is a complex and challenging business. But I believe we are making good progress. As we work out new approaches for doing business cooperatively, we are taking risks and pushing "the envelope" to expand traditional approaches and weapons procurement practices. I view this as a healthy outcome.

As President Kennedy once said after setting the goal of landing a man on the moon, "We choose to go to the moon, and do other things, not because they are easy, but because they are hard. Because they will require the best minds and the best talent."

In the same way, transatlantic armaments cooperation is a challenge that will require our best thinking and perseverance to see it to its full fruition. I believe it can and will be done, and that we can be successful in bringing to bear the best talent in government and industry to provide equitable returns to the taxpayers and industry of the US and its Atlantic partners.

Balancing Factors



**Obtain coalition security through balancing
geopolitical, military and economic/industrial factors**

Objective — Strategy — Tactics